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Second country cooperation framework for Costa Rica (2002-2006)

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Introduction

1. This UNDP country cooperation framework with Costa Rica covers four strategic areas of assistance, which correspond to areas of the nation's development: (a) poverty alleviation; (b) democratic governance; (c) environment and energy; and (d) information technologies for development.

2. The proposed thematic areas have been selected on the basis of the experience gained during the first country cooperation framework (1998-2000), which was extended until December 2001. UNDP cooperation was at the centre of Costa Rica's human development policies; thus, it played a key role in substantive and operational aspects of the Government's activities.

3. The period covered by this country cooperation framework (2002-2006) corresponds to the mandate of the Government authorities who took office in May 2002. UNDP will seek to harmonize its work with that of other agencies of the United Nations system through the United Nations Development Assistance Framework (UNDAF) in order to make the greatest possible progress in the areas of management; effective, efficient use of cooperation; and achievement at national level of the goals set in the Millennium Declaration.

4. This country cooperation framework reflects Government and UNDP intentions and objectives for the implementation of joint activities during the next five years. However, it may be amended and reviewed with the prior agreement of both parties.

I. Situation of the country from a sustainable human development perspective

5. Despite the crisis of the early 1980s, the average level of social development and quality of life of Costa Rica's inhabitants has improved over the past 50 years. Several consecutive decades of investment in education, social security, increased production and poverty alleviation have made it possible for the nation to achieve what was classified in 2001 as a high level of development on the basis of its human development index value of 0.821 and its rank of 41st among 162 countries.

6. According to the 2002 census, its population of 3,810 million is made up of 1,902 million men and 1,907 women and has an annual growth rate of 2.8 per cent, primarily as a result of immigration since the previous census. Young people have not predominated since 2000; there has been a gradual ageing of the population, of which 31.9 per cent is under 15 and 5.6 per cent is over 65. The literacy rate for persons aged 10 and older is 95.2 per cent for both sexes, 2.15 per cent greater than at the time of the 1984 census.

7. The average proportion of gross domestic product (GDP) to social investment remained constant at 16 per cent during the 1990s. However, efforts to improve the living conditions of the most disadvantaged portion of the population have not had the desired effect; the percentage of poor families has stood at about 20 per cent since 1994.

8. Over the past five years, the employed population has grown by 2.5 per cent per year (a rate of growth less than that of the workforce) and there has been a significant increase (3.6 per cent) in the number of women workers. However, there may also have been an increase in the number of people who are vulnerable or at risk of poverty owing to the worsening labour markets, which are unable to generate enough good jobs, and to the increased number of unstable jobs in the parallel or informal sector, which carry fewer social security benefits and pay lower wages than the more stable and secure types of jobs in the formal sector of the economy.

9. Recent decades have seen major progress in reducing gender disparities, including important milestones such as the adoption of the Act Promoting the Social Equality of Women in 1990 and of the Responsible Paternity Act in 2001 and the virtual elimination of inequality in education. However, women's lack of access to equality of opportunity, better-paid jobs and decision-making and the burden of their reproductive, family and domestic responsibilities remain an important development challenge.

10. The economy, as measured by the GDP, has grown at an average rate of 4.9 per cent over the past five years; however, that rate has varied widely from 0.7 per cent in 1996 to 8.4 per cent in 1999 and 1.7 per cent in 2000. These disparities are largely a consequence of the role played by one company, Intel, in the Costa Rican economy and by the growth in exports from duty-free zones and in tourism; these

factors have compensated for the drop in the prices of agricultural products, especially coffee, on the international markets.

11. The environmental sustainability assessment shows that Costa Rica's greatest strength is in the conservation of its natural resource heritage, but there are disturbing weaknesses in its management of social change and risks. The primary environmental problem at present is pollution from the Grande de Tárcoles, Barranca and Tempisque rivers, which has a serious impact on a major fishing and marine life reproduction centre, the Gulf of Nicoya, and poses a threat to tourism along the Gulf.

12. From the point of view of governance and institutions, Costa Rica is one of the region's most stable democracies. However, in recent years the rise in abstention from national elections; the call for greater opportunities for public participation, most clearly seen in the national march for the privatization of the Costa Rican Electricity Institute; the rise in new, alternative political parties with people-centred platforms; and the worsening public perception of political institutions are clear signs of the need for an in-depth review of the political system, incorporating transparency and public participation as key management strategies.

13. Generally speaking, as stated in the Common Country Assessment (CCA), the most urgent problems are related to the active, reciprocal relationship that should exist between economic growth and social equity. "Despite the economic energy of recent years, there has been a lack of correlation between the new export industries and the rest of the economy as a result of the absence of production chains; in the tax system, between the growth sectors of the economy and other taxpayers; between the people and the political institutions; between the central Government and the municipalities; between the education system and the job market; and between the prosperity of the financial sector and the problems that various population groups encounter in obtaining credit.

14. From 1990 to 1999, technical assistance decreased by 12.6 per cent and international financial assistance by 17.65 per cent. The Inter-American Development Bank (IDB) provided 35.7 per cent of all financial assistance for this period and 52.4 per cent for 1999.

15. The decline in UNDP's own resources during the *1990s, together with the Government's policy of* avoiding external debt and reducing bilateral cooperation, resulted in a crisis in late 1999, when funding of UNDP programmes from other sources had dwindled to almost nothing. Unlike other countries of the region, Costa Rica had no history of financing its country cooperation programme jointly with UNDP; this problem was aggravated by the tax authorities' unwillingness to authorize Government-financed projects to be implemented jointly with UNDP.

16. Despite these circumstances, implementation of the first country cooperation framework continued; its programmed resources for the period 1998-2001 amounted to US$ 23.6 million, of which UNDP provided approximately US$ 745,000. According to the CCA, actual spending for this period amounted to US$ 22.9 million, which represents a rate of implementation of over 97 per cent.

II. Results and lessons of past cooperation

17. International cooperation with Costa Rica declined sharply over the past decade as a result of: (a) the worldwide decrease in international resources for development cooperation; (b) the lack of geopolitical interest in Costa Rica during the 1980s; (c) donors' preference for channelling resources through non-governmental organizations (NGOs); and (d) the fact that Costa Rica's rank in the indexes is, relatively speaking, better than that of its neighbours and of other countries in the developing world.

18. The first country cooperation framework, which was extended by the Executive Board of UNDP, covered three principal areas: poverty alleviation, governance and environment. The primary objectives in those three areas have not changed, and it is hoped that future UNDP cooperation will promote more rapid poverty alleviation, help strengthen inter-institutional links and governance capacities and encourage natural resource conservation and renewal by promoting the mobilization of international resources. The principal achievements include support for the Objective Population Information System (SIPO), through which public resources can be allocated effectively to the poorest population groups; strengthening of activities financed by the Global Environment Facility (GEF) Small Grants Programme and designed to strengthen the emerging market for ecotourism; and a new project

aimed at eliminating the use of methyl bromide in melon production and flower harvesting.

19. The achievements of the first country cooperation framework include: (a) establishment of an effective cooperation system consistent with the national Plan; (b) increased relevance of the programme to national public policies; and (c) development of a modern, fruitful and stable relationship between Costa Rica and UNDP by overcoming numerous legal and conceptual barriers which hindered the transfer of Government funds to UNDP for nationally implemented projects for over a decade. This breakthrough has made UNDP a reliable partner in the implementation of sustainable human development policies; it is no longer perceived merely as a source of funding for technical assistance.

20. One of the points made in the CCA is the importance and relevance of the thematic areas established in the first country cooperation framework. They will be maintained as poverty alleviation; governance; and environment and energy. To these three areas will be added another in which Costa Rica enjoys competitive advantages: information technology for development. A gender perspective will continue to be incorporated into programme activities as a cross-cutting theme and cooperation will be used to address the growing phenomenon of migration, an area in which studies and policy dialogue have only begun.

III. Proposed strategy and thematic areas

A. Poverty alleviation

21. Despite achievements in the area of sustainable human development, social injustice persists in the poverty-stricken areas of suburbs and cities. The poverty level has stood at about 20 per cent for the past eight years; it is greater than 25 per cent in rural areas and one of every three poor households is headed by a woman. It is essential to launch a dynamic social policy to combat poverty through social programmes based on integrated public policies. This will require the following activities, which are consistent with the current Government's strategies.

22. *Guidance in policy formulation*: Development of a national poverty alleviation strategy must be resumed; UNDP will provide technical cooperation and promote the consensus necessary to its adoption and implementation. This strategy will play a major role in achieving the objectives of the World Summit for Social Development and the Millennium Summit.

23. *Verification of the quality of social programmes*: Social programmes should involve the development and implementation of policies which not only provide assistance but also improve the lives of the poorest people. It is therefore deemed necessary to expand and strengthen the system of quality checks as an ideal instrument for monitoring these programmes, improving the quality and efficiency of the social services and establishing ongoing systems for evaluating the strengths and weaknesses of social programmes.

24. *Strengthening of systems which target poverty*: The modernization of social institutions will be pursued through information systems that will help them ensure that social investment is equitably allocated. To that end, it will cooperate with the Government in expanding and strengthening SIPO.

B. Democratic governance

25. Support will be provided for national efforts to strengthen democracy as a political and social system with a focus on sustainable human development. UNDP will offer guidance in the formulation of policies designed to modernize the State and will promote the use of the electronic media to increase the efficiency of public institutions and the transparency of their management. It will also maintain its neutral role while supporting the national search for consensus on institutional reforms and other issues of vital importance.

C. Environment and energy

26. Costa Rica hopes to maintain its leadership role in sustainable development policies and programmes at the regional level through projects designed to preserve biological diversity, address the problem of climate change and protect the ozone layer and through innovative projects for forest management and local community empowerment with support from the GEF Small Grants Programme, as a result of which there has been great progress in increasing local communities' empowerment and their capacity to participate fully in decision-making on sustainable development issues.

There are plans to expand that programme to cover vulnerable and depressed rural areas by maximizing their potential for the development of ecotourism while maintaining sustainability.

27. *Biological diversity*: Since Costa Rica remains determined to fulfil its commitments under the Convention on Biological Diversity, UNDP will continue to provide support for implementation of the National Biodiversity Strategy and for consolidation and expansion of the biological corridors and the system of protected areas and will pursue its efforts to establish a programme framework on biodiversity in cooperation with GEF. There is also a need to strengthen the national forest management capacity by launching the National Forest Management Programme.

28. *Protection of the ozone layer*: UNDP has been one of Costa Rica's key partners in efforts to decrease consumption of substances which deplete the ozone layer; it has supported and facilitated the creation and strengthening of the Governmental Committee on the Ozone. The primary goal under this country cooperation framework, with funding provided under the Montreal Protocol, will be to eliminate the use of methyl bromide through the introduction and transfer of alternative technologies in the areas of melon production and flower harvesting.

29. *Climate change*: In light of the quantity of emissions caused by fossil fuels, UNDP has placed special emphasis on the promotion of renewable energy sources and energy efficiency. In addition to stressing the sustainable nature of renewable energy sources, it will seek to remedy certain groups' lack of access to electricity.

D. Information technologies for development

30. Costa Rica has a high average level of connectivity and is the regional leader in attracting foreign investment in advanced technologies. The potential of information and communication technology must be used to speed up economic and social development, benefit the poor and promote transparency in governance. For that reason, this country cooperation framework is designed to facilitate the dissemination of these technologies and to improve access to services provided by Government agencies through various interrelated portals making up the so-called "digital Government". To that end, efforts will be made to modernize the information and communication systems in Government agencies through the use of advanced technologies, develop web-based digital platforms to improve those agencies' external and internal systems, create computing techniques training centres and strengthen Costa Rica's computer science teaching facilities and Ministry of Education.

IV. Management arrangements

31. The national execution modality, which has been selected taking into account the high level and demonstrated efficiency of Costa Rica's human resources, will be used. Attention will be paid to the provisional nature of national implementation and to the need to develop exit strategies so that UNDP-supported projects can later be taken over by Government agencies. The transfer of existing technological tools will be facilitated in order to ensure that the results achieved are sustainable and can be maintained under national bodies.

32. It is important for cooperation with agencies of the United Nations system to be harmonious, well-organized and efficient; the CCA and UNDAF, which were completed last year, will provide a frame of reference for the work of United Nations bodies.

33. This country cooperation framework will be reviewed at midterm. The methodology used for monitoring and follow-up will be the results-based management system. The strategic results framework will facilitate ongoing monitoring and preparation of the results-based annual report.

34. *Resource mobilization*: UNDP has set the goal of mobilizing approximately US$ 49 million over the five-year period, including approximately US$ 1 million in UNDP funds. The rest will be obtained from other sources, including the Government of Costa Rica, GEF and multilateral sources such as the World Bank, IDB and the Central American Economic Integration Bank (CABEI). The Government's financial contribution reflects its commitment and ensures that the objectives and anticipated results are compatible with national goals.

Annex

Resource mobilization targets for Costa Rica (2002-2006)

Source	*Amount (In thousands of United States dollars)*	*Comments*
UNDP core funds		
Estimated carry-over	280	
TRAC 1.1.1	439	
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3		
SPPD/STS		
Subtotal	**719**[a]	
Non-core funds		
Government cost-sharing	35 000	
Third-party cost-sharing	1 000	
Funds, trusts and other	12 300	
of which:		
GEF	7 000	
Montreal Protocol	4 800	
Other funds	500	
Subtotal	**48 300**	
Total	**49 019**	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviation: GEF = Global Environment Facility; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core.